REMARKS

Claims 1-33 are currently pending in this application. By this Response, Applicant is amending claim 33. Applicant respectfully submits no new matter is added by these amendments. Accordingly, claims 1-33 are at issue.

The Examiner has rejected claims 1-33 under 35 U.S.C. 101 alleging "the claimed invention is directed to non-statutory subject matter, particularly, an abstract idea." Applicant respectfully traverses this rejection.

In making this rejection, the Examiner improperly utilizes the "Examination Guidelines for Computer Related Inventions" ("Guidelines") in concluding the claims to be non-statutory. According to the Guidelines, "claims [directed to methods of doing business] should be treated like any other process claims, pursuant to these Guidelines when relevant." (Guidelines - I. Introduction, underlining added). The Examiner appears to acknowledge the present claims are not necessarily run on a computer (despite the lack of an express requirement of a computer in the claims, as is well known in the present art computers can be used for many aspects of providing a loan - for example, electronically transferring funds for the loan from one account to another). Although apparently not "relevant" to the presently claimed invention, the Examiner invokes the Guidelines when analyzing the application.

Notwithstanding such improper use, the claimed invention meets the requirements under these Guidelines. According to the Guidelines, to be statutory subject matter under Section 101 the claimed invention must produce a useful, concrete and tangible result to have a practical application. (See Guidelines, II. A., citing *State Street v. Signature Financial*, 149 F.3d 1368, 1373 (Fed. Cir. 1998)). The present invention meets this requirement.

Claim 1 is generally directed to a method of providing a uniquely configured loan to a borrower. As set forth in the body of the claim, a first and a second institution are utilized in implementing the steps of this method. The process prescribed by claim 1 sets up the contractual relationship and interaction between the first and the second institution, and requires specific steps each institution must perform in order to provide the unique loan instrument at issue.

The method of claim 1 does not merely manipulate an abstract idea as maintained by the Examiner, but provides a tangible result in the realm of a business method. The claim requires various physical activities that shape the structure of the loan. For example, claim 1 requires "offering" the loan through the first of the two institutions. This necessarily includes activities traditionally undertaken in the offering of loan products, such as for example, actively advertising or promoting the loan through a variety of means. Additionally, claim 1 requires "providing money for said loan." Again, this requires, for example, either physically transferring cash from one party to the other, or making an electronic transfer from one account to another account. Claim 1 also requires "collaborating" with the second institution for the second institution to monitor the loan. Such monitoring can include one or more activities that traditionally have been undertaken when any entity monitors a loan (e.g., checking on collateral, monitoring repayment status, etc.). It is clear that taken together, the method steps of claim 1 actively provide a practical application in the loan business and do not merely manipulate an abstract idea. Similarly, the remaining claims provide additional activity that goes beyond merely manipulating abstract ideas.

As set forth above, the present claims are directed to a method of doing business which involve more than abstract ideas and which produce tangible results . The Examiner has treated this business method as one that only involves abstract ideas. However, contrary to the position apparently taken by the Examiner, the Federal Circuit in *State Street* has laid the business method exception to rest. *State Street*, 149 F.3d at 1375. According to that Court, since 1952 "business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method." *Id.* As explained by one dissenting Judge in an earlier case "[p]atentability does not turn on whether the claimed method does 'business' instead of something else, but on whether the method, viewed as a whole, meets the requirements of patentability, as set forth in Sections 102, 103, and 112 of the Patent Act." *Id.* at note 10.

The Federal Circuit has found a tangible result in the realm of a business result, even though one or more components of the result would otherwise be deemed an abstract idea. For

example, in *State Street v. Signature Financial Group*, the useful, concrete and tangible result was the final share price upon which investors and their brokers can make investment decisions. See *State Street*, 149 F.3d at 1374-75. That is, a tangible result was found in the business sense despite the fact that a share of a company (i.e., representing an ownership interest), and its final price can both be looked at as abstract ideas. In another example, the Federal Circuit in *AT&T Corp. v. Excel Comm. Inc.* found a lower long distance bill to be the useful, concrete and tangible result of the claimed invention. See *AT&T Corp. v. Excel Comm. Inc.*, 50 U.S.PQ.2d 1447, 1452 (Fed. Cir. 1999). Again, an abstract concept (i.e., a bill) that is a tangible business result. Similar to these examples, the present method provides a loan from a first institution where a second institution monitors the loan. Moreover, the first institution is not at risk for any default of the loan. The presently claimed method, taken as a whole, provides a useful, concrete and tangible business result.

In addition to the above arguments, Applicant respectfully submits the Examiner did not meet the PTO's burden of establishing the claims as non-statutory subject manner. Specifically, according to the Guidelines, the Examiner has "the burden to establish a *prima facie* case the claimed invention as a whole is directed to solely an abstract idea or to manipulation of an abstract idea or does not produce a useful result. This *prima facie* case has not been established because the Examiner has not shown how the claim as a whole is directed solely to manipulation of an abstract idea and has ignored the activities and business results inherent in the claimed method.

The Examiner has rejected claims 1-3, 5-16, 18-25 and 27-33 under 35 U.S.C. 102(e) as being anticipated by Levine. Applicant respectfully traverses this rejection.

Levine is directed to a business process system to electronically service mortgage loans, wherein <u>the Servicing System assumes **no risk of loss**</u>. All presently existing Servicing Systems, whether patented or otherwise, involve either <u>no transfer or partial transfer of risk to the Servicing entity</u>.

In contrast to the system of Levine, the present Application is for a business process wherein <u>100% of the risk of loss for the loan is transferred to the monitoring (i.e., servicing)</u>

entity. Specifically, as expressly set forth in claim 1, the method requires "obtaining indemnification for said first institution of all risk for providing said money for said loan." This step in the loan process is the first of its kind in the loan industry. Unlike the claimed method, Levine's process has the funding institution deciding which loans to fund and which loans to decline because the funding institution is at risk. In the present Application, the second institution (i.e., the Servicer) makes these decisions since the second institution is taking all of the risk. This contrasts sharply to Levine's process because the servicing company in Levine is managing the risk without ever taking any of the risk. Levine completely ignores the issue of "who assumes or shares in the risk".

The Examiner points to Column 1, line 40-Column 2, line 60 of Levine as disclosing the step of obtaining indemnification for said first institution. However, this is incorrect. Levine does not disclose the step of providing indemnification. Moreover, the word "indemnification" is never used in the referenced section or anywhere else in Levine, and no other words in fact or even 'in spirit' come close to addressing the concept of "indemnification" in Levine. Levine never addresses the issue of "indemnification" and centers its disclosure on the use of computerization for management of the Loan Process.

Accordingly, Applicant respectfully submits claim 1 is not anticipated by Levine and is patentable over this reference. See *RCA Corp. v. Applied Digital Data Systems, Inc.*, 730 F.2d 1440, 1444, 221 USPQ 385, 388 (Fed. Cir. 1984) (Anticipation is established only when a single prior art reference discloses each and every element of a claimed invention.).

Claims 2-3 and 4-13 depend on claim 1, either directly or indirectly, and include each of its limitations. Accordingly, Applicant respectfully submits claims 2-3 and 4-13 are also patentable over Levine.

Independent claims 14, 23, 29 also include, among other steps, the step of obtaining indemnification. Independent claim 31 is directed to a loan product wherein money provided from the first institution is insured against all risk by a second institution. Accordingly, for the reasons given above with respect to claim 1, Applicant respectfully submits claims 14, 23, 29 and 31 are not anticipated by Levine and are patentable over Levine.

Claims 15-16 and 18-22 depend on claim 14, either directly or indirectly, and include each of its limitations, claim 24-25 and 27-28 depend on claim 23, either directly or indirectly, and include each of its limitations, claim 30 depends on claim 29 and includes each of its limitations, and claims 32-33 depend on claim 31 and include each of its limitations. Accordingly, Applicant respectfully submits, claims 15-16, 18-22, 24-25, 27-28, 30 and 32-33 are also patentable over Levine.

The Examiner has rejected claims 4, 17 and 26 under 35 U.S.C. 103(a) as being unpatentable over Levine. Applicant respectfully traverses this rejection.

As set forth above, Applicant submits claims 1, 14 and 23 are patentable over Levine. Claim 4 indirectly depends on claim 1 and includes each of its limitations, claim 17 indirectly depends on claim 14 and includes each of its limitations, and claim 26 depends on claim 23 and includes each of its limitations. Accordingly, for the reasons given above with respect to claims 1, 14 and 23, Applicant respectfully submits claims 4, 17 and 26 are patentable over Levine.

Additionally, the Examiner has cited to Levine's example of a mortgage lender requiring the borrower to obtain "homeowner's insurance" to protect the lender from the loss of collateral as similar to the present invention. However, type of insurance protects the money supplier from loss of *the collateral*, and is not an example providing indemnification of all risk for providing the money for the loan.

As noted by the Examiner, lenders have used various forms of insurance as a way of 'lowering risk' or 'laying off risk' for years. However, all such insurance has specific applications and specific limitations wherein the "indemnification" method contained in this Application does not have such limits. Further, money providers must first "have risk" so they can then "insure it" or "lay it off". One naturally precedes the other. In the present invention, the money providers fund into a situation which inherently has no upfront risk in its design. So there would never be a need to "insure" or "lay off" risk because none is ever taken in the first place.

CONCLUSION

In light of the foregoing amendments and remarks, Applicant respectfully requests reconsideration and allowance of claims 1-33.

Respectfully submitted,

Dated: January 20, 2005

By: [signature]

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CERTIFICATE OF MAILING

I hereby certify that this correspondence is being deposited with the United States Postal Service as first class mail, postage prepaid, in an envelope addressed to: MAIL STOP AMENDMENT, Commissioner for Patents, PO Box 1450, Alexandria, VA 22313-1450, on January 20, 2005

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